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FUNCTIONAL SPACE MANAGEMENT IN THE HOSPITALITY INDUSTRY AND ITS FUTURE OUTLOOK

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1 EXECUTIVE SUMMARY

In recent years, profit made from ancillary revenues has become more vital to the success of service companies. This phenomenon is very pronounced in the airline industry, but is also beginning to become more relevant to hotels as it is applied to functional space and meetings. Most of these ancillary revenues, including meetings, are typically not considered an important source of revenue for hotels, but rather as tools to draw in primary activities. This thesis seeks to delve into the importance of the meetings industry to the economy and to the hospitality industry by considering underutilized functional space and customer preferences. It explores new technologies, selected industry competitors, risks that hotels face by entering this market. This analysis concludes with the future outlook of the meetings industry and recommendations for hotels participating in or entering the industry.

2 INTRODUCTION

Revenue management was first developed under the name 'yield management' in 1979 by American Airlines under pressure to reduce costs from its unregulated competition. The goal was to find the right balance of high paying customers (business travelers) and leisure customers to generate the most profit from a fixed capacity asset, i.e., the plane, until its consumption date, i.e., the departure date. Yield management, or revenue management as it is now called, wasn't adapted by other industries for about another ten years [2]. However, this technique is now an integral part of many different industries and some would argue it has had the most impact on service industries. This is due to the fact that if hotel rooms, cars for rent, or storage facilities go unused, then that capacity has expired and is worthless. In contrast, manufacturing plants can keep those extra unused units in a warehouse until the demand fluctuates above capacity; in other words, they have the ability to retain safety stock. Because of this, revenue management is also called perishable asset revenue management in the service industry.

Revenue management has traditionally been used for companies' primary business activities. But in recent years, profit made from ancillary revenues has become more vital to the success of service companies. This phenomenon is very pronounced in the airline industry with the rise of baggage fees and on-board services. In fact, ancillary revenue increased to \$13.5 billion for 96 different airlines in 2009 [3]. Can this strategy be applied to other service industries, like travel and tourism?

Hotels have always provided extra services to their customers like food or spa services, but their main focus has been on booking room nights, and rightfully so since that is their main source of income. Since competition between hotels has been growing, there is a unique opportunity for hotels to strategically differentiate themselves from their competitors by recognizing and implementing revenue management of their ancillary activities, similar to the airline industry. Managing a hotel's ancillary services would be especially helpful if that revenue led to growth in the primary revenue activity of booking room nights. Functional space brings in customers to hotels who want to have meetings and book rooms, making it one of the most important ancillary activities maintained by hotels.

3 MEETINGS INDUSTRY

3.1 Meetings History

Meetings have existed as long as humans have been around and started as social gatherings. In the Middle Ages people gathered to celebrate religions, eat, and exchange ideas. During this time, taverns became a popular place for people to socialize while providing a place to sleep for the night. The next big change in meeting events was when conventions began in the 1800's. The first world fair in 1851 was in London and is considered one of the first large conventions. These large gatherings were ideal for people to meet others from around the world, discover new technology, and trade ideas. Conventions were especially important during this time because communication across a long distance was especially difficult without the Internet or phones [4]. Even

after the development of new technologies, like online video conferencing software, face to face meetings have continued to play an important part in modern society. These gatherings assist in fostering trust and developing relationships; an increasingly important factor in maintaining good business relations today. In fact, 40% of business prospects are converted by face to face meetings, which provides a good reason for businesses to choose live meetings over technology driven meetings [5].

3.2 Meeting Industry Participants

The meetings industry is made up of many different players and can be divided into two categories: suppliers and customers. The suppliers can be broken up into meeting organizers, venue managers, destination marketing organizations, and venues. Independent meeting organizers serve as a connection between delegates and venues. It is therefore very important for venues to maintain a good relationship with meeting organizers to gain more business. Venues provide the space for meetings to be conducted. They also sometimes have their own meeting organizers to help plan the meetings held at their facilities.

The second category of participants is the customers who drive the demand for meetings. They are made up of delegates (attendees) and exhibitors. Attendees participate in conventions, conferences, and corporate business meetings. Exhibitors participate mainly in trade shows and exhibitions to market their products and see other exhibitors' demonstrations. Attendees and exhibitors then become main contributors to booking room nights generated by the meetings industry and its participants.

3.3 Economic Impact

When people think of industries that have a high impact on the United States economy, they usually consider the oil and gas industry, the motion picture and sound industry, or the air transportation industry as having the most impact. While these are all very large industries, contributing 142, 113, and 78 billion dollars, respectively, to the U.S. GDP annually, many people do not realize that the meetings industry is actually a comparatively big player, contributing \$116 billion to the GDP in 2012 (See Figure 1). By looking at this comparison, we can tell that the meetings industry does have a large impact on our economy; but where does this money come from?

Figure 2 shows how some of the sub-industries of the meetings and travel and tourism industries contribute to spending within the U.S. economy. The meetings industry has two distinct sections: one overlapping and contributing to the travel and tourism sector and the other section belonging to its own unique sector (See Figure 3) [6]. A significant 15% of the travel and tourism industry output comes directly from the meetings industry resulting in \$130 billion in 2012 [6]. Travel-related commodity spending resulting from meetings accounts for that intersection of the travel and tourism industry and the meetings industry. It includes accommodation, food and beverage, and travel. The vast majority of direct spending of the meetings industry's own unique sector (excluding travel and tourism) comes from production and planning, which amounts to 38% of total meetings output by itself [6].

When compared to 2009, some compelling evidence towards growth in both the travel and tourism and the meetings industries is shown (See Figure 4) [6]. It is important to note that in 2009, the U.S. was going through a recession and corporate spending on meetings was reduced. Therefore, this growth is not only a reflection of organic growth, but also recovery from the recession and it is impossible to attribute a certain amount to either growth opportunity. It is important to reevaluate this growth in a few years to see just how much was due to recession recovery and if the meetings industry can continue to grow.

In 2012, a total of 1.83 million meetings was held in the U.S. that were attended by 225 million meeting participants who spent a total of \$164 billion [6]. That makes 123 participants per meeting who spent \$729 on average throughout the entire year. Of these participants, 57% traveled more than 50 miles to attend their meeting resulting in the purchase of 275.2 million room nights. This vast number of attendees that require lodging supports the idea that functional space is a primary driver of revenue. It also shows a huge opportunity for meeting spaces with lodging (hotels), especially when it is considered that 85% of the meeting venues that were chosen in 2012 had lodging, owing in large part to the amount of participants that traveled more than 50 miles who needed to spend the night [6].

3.4 Current Meeting Industry Trends

Currently, companies are facing budget challenges and are therefore trying to cut out as much non-value adding cost as possible; some companies might not realize

the value that face to face meetings provide, which leads to meetings being more strictly monitored. This means that upper management is more involved in the approval process for having meetings. Budget challenges also contribute to the trend of more local and less global meetings since traveling has a high cost.

Social media in meetings has become more prevalent since people are incorporating it into their daily lives to stay connected. This provides an opportunity for easier interaction between meeting planners and delegates; it also allows more information to be shared throughout the event. Another current meeting trend is that almost all new large 4 and 5 star hotels being built right now are incorporating meeting space into their floor plans, which shows a strong commitment to meetings and points to long term growth and development of the industry [8].

4 MEETINGS IN HOTELS

Hotels are one of the most important types of meeting venue with their versatile functional space since they hold the majority of meetings (85% in 2012 [6]). The following sections provide a detailed look into their customer segments and those customers' meeting preferences.

4.1 Meetings Customer Segments and Profitability

Customers contribute to a hotel's revenue through four basic categories: rooms, food, beverage, and other. Almost 64% of revenue comes from room bookings (making it the primary activity), with food as the next highest category with a 19% share of the

total revenue as an industry average [9]. Functional space is in the "other" category with 7% of average nightly revenue, which is shared with other ancillary services, like golf courses and spas. These ancillary services may serve as the initial attraction for large groups of customers to a particular hotel. These customers may have many different reasons to hold a meeting, including celebrations, business decisions, education, and promotion. They can be segmented differently according to those uses and their profitability.

The first segment of customers is corporations. This group may be harder to obtain, but they are also the most profitable of the segments and therefore are worth the additional work it takes to land them. Hotels providing functional space to corporations have to work with shorter lead times, sometimes within the week. Corporations are the most profitable segment because they are usually willing to spend money on accommodation, food and beverage, entertainment, and added technology for their employees and clients. When corporations book rooms for employees, the employees generally enjoy separate room bookings providing extra revenue for the hotels [10]. Fortunately for hotels, these business meetings are also the most frequent type of meetings to be held; in 2012 corporate meetings made up 55% of the total meetings held in the U.S (Figure 5) [6].

The second segment is associations bringing in groups of people with the same interests to gather and share ideas. They usually have a large number of attendees at the hotel; however, the attendees don't necessarily stay at the hotel where the meeting

is being held. Because of this, they are ranked lower in general profitability than corporations even though they might also purchase other services such as food and beverage.

The third group is the government segment filled by federal employees traveling for work-related purposes. The government sets a per diem rate that all federal employees are allowed for their daily expenses, including food and beverage. These customers typically expect discounts of anywhere from 20 to 40 percent off the standard price of a room as well as having meeting space already included in the price [10]. They also usually don't order food and beverage, which is the next largest source of income for hotels after room nights [9].

The last group, SMERF (social, military, educational, religious, and fraternal), is the least profitable customer segment since it is usually arranged by individuals under a tight budget. They hardly ever purchase food and beverage from the hotel, instead bringing their own. If they do book rooms, SMERF customers may try to fit as many people in a room as possible to adhere to their strict budget [10]. This customer segment is the second most frequent group to hold meetings with 24% of the total 2012 meetings (See Figure 5) [6].

4.2 Current Trends of Customer Preferences

In September 2012, Marriott Hotels and Resorts partnered with WIRED, a well-known technology magazine, to conduct a study looking at how frequent travelers conduct meetings and choose lodging. Marriott was interested in this data because it

had observed how young workers were travelling and working at the same time. They wanted to fill the worker's office space needs.

This study had 304 participants who were WIRED subscribers. The participants answered a number of survey questions regarding their work schedules and preferences. More than half of the respondents said that it was important that they were accessible for work (Figure 6) and about a quarter said they work remotely more than half of the time (Figure 7). Surprisingly, these workers said they work in a hotel more often than cafes, which WIRED identified as a trend (Figure 8). However, this may be due to the fact that when they work remotely they are away from home and require lodging. On the other hand, the majority, 84%, said that they work remotely from home. This emerging trend could be an opportunity for hotels to attract people who want to work in a different setting, but in a place that is more structured and productive than their homes. To support this, the study found an encouraging 45% of respondents who feel that they have unmet needs while they are working away from the office, remotely and at their home [11]. Table 1, taken from the study, shows the most essential attributes of a productive work environment. Seven of these top ten attributes, including high speed internet, privacy, and quiet, are assets that most hotels already possess [8].

The results of this study support Marriott's strategy to promote and develop their meeting space, which is discussed further in Section 6.1. Although WIRED surveyed a small number of their readers, the results are significant enough to support a

theory for the rise of the mobile worker and the opportunity to fulfill their unmet needs that a hotel could fill by providing productive meeting space.

5 TECHNOLOGY

The technology involved in meetings has been rapidly evolving in the form of mobile phone apps and online meetings. In fact, a 2014 survey by American Express predicts that even after recent growth, the use of mobile apps and social media will increase by 4.9% and 4%, respectively, in 2014 [8]. This could be due to the increasing amount of young workers entering the workforce that are accustomed to using this technology every day.

Other companies have also focused on developing technology specifically for meetings. SmartMeetings envisions using a 3D avatar to meet remotely, yet in the same meeting room [12]. This technology allows meeting delegates to participate using gestures and speech as if they are actually in the meeting room. Looking at some other recently developed technology, like Xbox's Kinect and IBM's 'Watson' computer, one could fairly guess that technology with the ability to completely replace or greatly enhance meetings will be available not too far into the future. Some of these technologies will be discussed in further detail in the consequent sections. Meeting venues will have to keep up with this changing technology in order to remain relevant.

Even though some of this technology is already being developed, meeting planners and delegates have been slow to adopt it. In 2013, 80% of meeting planners reported that they used a virtual or hybrid solution to their meeting only 10% of the

time in North America [8]. Virtual meetings would be events that are completely online such as the 3D SmartMeetings, or video conferencing software. Hybrid meeting solutions would involve both in person and online interactions with meeting delegates. None of the meeting planners reported using either of those solutions more than 50% of the time [8]. This is an indication that these solutions are not being widely requested by meeting delegates or adopted by meeting planners, at least for the time being.

5.1 LiquidSpace

LiquidSpace is an innovative company that has completely embraced the commoditization of functional office space and serving mobile workers; it is comparable to the popular travel reservation site Kayak, except it is solely for meeting space. It has an online cloud-based platform and cell phone app, which can be downloaded for free, where workers can find a place to work, meeting rooms, conference rooms, or boardrooms. The app (Figure 9) is similar to other reservation apps allowing the customer to view available space near them, the price, amenities offered, and pictures of the workspace.

In addition to catering to the individual worker, LiquidSpace draws in businesses with extra capacity to provide space for their customers to meet. They claim that the average desk is unoccupied for 60% of the day as a result of the rise of the mobile worker [13]. That desk could be used as an extra source of revenue while that employee is away. The whole booking process for the office space, from email reminders to payment, is managed by LiquidSpace, which makes it very simple for

companies to use. This service could be utilized internally or externally. The internal solution allows a company to manage their own personal meeting room or office space bookings. The external solution makes the unused space available to any worker who is using LiquidSpace.

Essentially, LiquidSpace has become the middleman allowing workers to find rooms that companies offer. When a middleman is involved in a transaction, the price tends to go up and LiquidSpace is no exception. However, by using this service customers and companies have insurance against risks, like payment fraud, since all payments go through LiquidSpace. LiquidSpace makes profit by taking a percentage of the price paid by individuals to rent the space. All room payments go through LiquidSpace, which is then paid on a monthly basis to the company who rented the space. When a worker books space at a venue for the first time, LiquidSpace takes 50% of the transaction as their fee. If the same worker returns to the venue, then only 25% of the transaction is taken and from the third visit onward, a 10% fee is taken from the transaction [13]. The fee is relatively large to start off with because it is assumed that the worker only found the property due to the app. However, it decreases quickly if they return since that venue must have provided exceptional service or work space.

5.2 Cvent

Cvent is an event management software company that customizes solutions for event planners and venue owners. Its event planning software allows a hosting company to collect payments online or at the event, establish event budgets, and

produce statistical reports among other things. It also includes a tool which allows an average employee to create a visually appealing customized website for their event.

CrowdCompass, a product offered by Cvent, is a tool to build a custom app for an event. It helps an attendee stay connected and plan out their route or schedule for the event. Some features that meeting planners can customize in the app are guest speaker profiles, interactive maps, contact sharing, social media connections, dining information, and mobile check-in. This helps keep technology-savvy meeting participants engaged in the meeting or convention while keeping them more informed.

Cvent also offers strategic meetings management that allows companies to keep track of all expenses that are incurred with meetings including travel, accommodation, and payment processing. Similar to LiquidSpace, it allows venue selection but adds on its own customized request for proposals and integration with other booking tools [14].

6 TWO HOTEL GROUPS' UNIQUE APPROACHES TO THE MEETINGS INDUSTRY

The most successful meeting or convention properties have unique traits that draw more meetings to them than others. The following sections will explore two different hotel groups and their meetings strategy. These hotel groups were chosen from a list of the top 100 properties for meetings in the U.S. by Cvent. Out of all of those properties, three hotel groups had the most collective number of top-ranked meeting properties: Hyatt, Marriott, and Hilton [15]. Out of these three, Marriott and Hilton had two contrasting approaches that are explored in detail in the following sections.

6.1 Marriott

Even from just a quick glance at the main menu of the Marriott corporate website, an average user could identify meetings as a key strategy, since the only two tabs are "Reservations" and "Meetings and Events". Marriott has been launching tools and programs in the past few years to aid their leading role in the meetings industry, which include the Meeting Services App, Meetings Imagined, Workspace on Demand, and Workspring.

Meeting Services Application

Marriott has developed an app that can be used by meeting planners and organizers to support event management. Their app is called Meeting Services App and it has been customized across three of their brands: Marriott, JW Marriott, and Renaissance Hotels [16]. This app is useful for all types of gatherings, from very large conventions to small "office" meetings. Before the meeting starts, planners can use the app to change last minute details or give directions to the Marriott staff; particulars such as adding seating or changing the arrangement can be made ahead of time or during the event. Hotel staff can bring refills, change the room temperature, or change meal time at a moment's notice. Customers have found this extremely convenient since they can effectively take care of issues at the touch of a button and shift their attention to something else. Marriott has had such good reviews from its customers and staff that it plans to expand the app to 500 Marriott hotels by the end of 2014 after only being developed in mid 2013 [16].

Meetings Imagined

Meetings Imagined is an online site available for Marriott customers to help them design their future meeting. It is an interactive and easy-to-navigate site similar to Pinterest, which is considered a very successful social interests platform. The site has helpful suggestions for planning, design, food choices, entertainment, and technology enhancements. There are advice articles on how to budget meetings and also how to incorporate branding and sponsorships into a convention. By using all of these resources, the event planners and customers can create more enjoyable and successful meetings [17].

Workspace on Demand by Marriott

Marriott has collaborated with LiquidSpace to use the LiquidSpace reservation and online platform, where they create a unique way to cater to young mobile workers. This online site, called Workspace on Demand by Marriott, allows anyone to book meeting rooms and workspaces at Marriott properties. This was developed because of the trend of workers using cafes to get their work done, popularized by Starbucks. These cafes are convenient for workers on the go since they provide free Wi-Fi, a table, and food to eat. However, they can be very crowded, distracting, and noisy, especially in large cities. That has created demand for convenient, comfortable, yet private spaces for workers outside their office, as demonstrated by the WIRED research.

This new online platform makes it quick and easy for anyone to book space at one of Marriott's hotels; the customers only need to book it a few minutes in advance.

This service is also cheap; workers can book space in Marriott hotel lobbies for free and are allowed access to their internet. If a customer wants to book a private room, it can cost anywhere from \$16 to \$277 an hour depending on the size of the room. Through this service, Marriott would be utilizing meeting space that would have gone to waste that day since meeting space is traditionally booked at least a few weeks in advance. While this service is currently only offered at 200 properties, Marriott is planning to roll it out to more locations due to its success.

Westin Hotels and Resorts launched a similar offering in partnership with LiquidSpace called Tangent. This service provides an impromptu meeting space with amenities such as extra large whiteboards, high speed internet connection, readily available computers with videoconferencing software, an Xbox to relax with, office supplies, and snacks [19]. The biggest difference from Marriott's service is that Tangent meeting spaces have a capacity of four people and can only be rented by the hour. In other words, they are more focused on targeting small group collaborations.

Workspring at Marriott

Another idea developed by Marriott to progress their meetings industry presence is an affiliation with Workspring. Workspring is a company that was spun off from Steelcase, a furniture manufacturer, to provide an engaging workspace for mobile workers and even social events. They currently only have two offices in Chicago and two affiliations, one with Marriott and one with Serendipity Labs. Marriott chose to

implement their affiliation with Workspring after seeing the trend away from traditional offices to varied meeting spaces [20].

This workspace was created to be modern, engaging, and intended to keep ideas flowing. As shown in Figure 10, the space is very open and includes a resource library, cafe, breakout rooms, living rooms, studios, and outdoor space. This would be ideal for the young, modern worker. Another way the area is enhanced to keep workers happy and focused is that most of the rooms are lit with natural light and any resource the workers need is within easy reach. This space not only includes collaboration rooms but also spaces to work individually, making it very versatile and adaptable to different styles of working. Marriott offers many other amenities with these spaces including: healthy food, wireless and wired internet access, printers, office supplies, whiteboards, and integrated technology. Customers can utilize these amenities with an all-inclusive price anywhere from a few hours to a week.

This unique space is currently only offered in Seattle, Washington as a trial run, but Marriott is planning to expand it in the coming years. They chose this location since it is close to Microsoft's campus and their young workforce is prone to moving around while they work [20]. Future expansion will probably include locations that are close to tech-savvy and innovative companies, which are hot spots for mobile workers.

Gaylord Hotel Acquisition

A convincing acquisition of the Gaylord Hotel brand and hotel management company was made by Marriott on October 1, 2012 for \$210 million; \$18 million of that

was for the brand name alone [21]. This purchase was only for management of the property and the brand name since the original owner, Ryman Properties, still owns the physical hotels. The contract to manage these properties will initially last 35 years with an incentive fee to increase profitability and a 2% base management fee. The Gaylord brand is only represented at four properties, in Nashville, Orlando, Washington D.C., and Dallas (See Figure 11). This acquisition brought Marriott approximately 7,800 additional rooms [21].

Three of the Gaylord hotels, Orlando, Washington D.C., and Dallas are in the top ten cities for meetings and events activity ranked by Cvent [8]. In total, these hotels have 1,870,000ft² of meeting space and 429 different meeting rooms to add to Marriott's portfolio (See Table 2). Each of these locations has a variety of capacities available for customers, but the largest meeting room has a capacity of 10,000 people. Hotels are usually not considered in competition with free-standing dedicated meeting space; however, a capacity of 10,000 people is enough to rival a traditional convention center. Marriott International's CEO, Arne Sorenson, stated " Marriott will be able to capture an even greater share of the major event market," indicating that they do indeed intend to compete with convention centers [22]. It is also worthwhile to note that there are not many hotels that can currently accommodate such large groups of people for conventions and therefore, Marriott would face limited competition. Moreover, hotels with convention space of this magnitude wouldn't be able to operate as traditional hotels on every street corner since the demand for large conventions is a lot less than for room nights. If a hotel built a property similar to the Gaylord hotels, it

would cost them a small fortune accompanied by a long lead time. This idea is exemplified in Mr. Sorenson's statement to an analyst, "The definition of this brand, which is really illustrated by the four hotels that are in the system, makes it a longer-term process than other brands because these are big boxes with significant function space. Those are projects which are hard to get off the ground and which take years to get off the ground, but they are good hotels and good concepts, and hopefully in the fullness of time we will see additional opportunities for them [22]." Marriott's acquisition of an already well-developed convention brand was a strategic decision to become a major player in the meetings industry in a short amount of time.

Conventions and Resorts Network

Marriott's Convention and Resorts Network, newly renamed "Innovention Network", is an internal collection of most of their properties that are focused on meetings and large gatherings. The network currently includes more than 60 properties from Marriott's JW Marriott, Renaissance, and Gaylord brands and 26 of them have won Gold Key Awards by the Meetings and Conventions Magazine [23]. This network was designed to make it easier for meeting planners to locate the perfect property for their meeting. Planners can search according to location, amenities offered, total meeting space, or available rooms [24]. The network's goal is to retain large meetings business thanks to all the comprehensive meeting tools that have been discussed.

6.2 Hilton

Hilton has a contrasting approach to the meetings industry relative to Marriott. They view meetings as a risk to their company instead of an emerging source of revenue. This is indicated by the following statement in their annual report describing a risk inherent to the hospitality industry as, "decreases in the frequency of business travel that may result from alternatives to in-person meetings, including virtual meetings hosted online or over private teleconferencing networks [25]." This clearly indicates that Hilton is cautious in approaching the meetings industry's future trends, especially when they anticipate competing with virtual meeting solutions. They also outline that limited corporate and travel budgets are a risk to their business.

Meetings Simplified by Hilton

Meetings Simplified by Hilton is a program that was created to cater to meetings and events for 25 people or less. This tool allows meeting planners to get a bundled price. Amenities that are already included in the bundled package include: the meeting room, basic wireless internet connection, all day non-alcoholic beverages, per person pricing, and a flip chart. Meeting planners can choose other options to add to their bundle including meals, healthy and fun break options, or an LCD projector screen for an additional cost [26].

For larger meetings, Hilton has a search function on their website that lists all of their properties with meeting space. This function allows users to search based on total meeting space, the number of rooms, the location, and the desired distance from the closest airport. Meeting planners can access this for easy site selection.

Hilton's largest total meeting space in the world is the Hilton Anatole, located in Dallas, Texas. It provides a total of 330,418 ft² of indoor meeting space, which is about 70,000 ft² less than Marriott's similar property, the Gaylord Texan. Hilton took over management of the Hilton Anatole in 2005 and since then has begun to upgrade their meeting space [27]. However, the Hilton Anatole is an outlier for the average Hilton property. In fact, the property with the next largest total meeting space is the Hilton Chicago which provides a meager 189,226 ft² [26]. This possibly indicates that Hilton's primary focus is not on competing with freestanding dedicated convention centers but more on smaller meetings.

7 RISKS TO HOTELS INVOLVED IN THE MEETINGS INDUSTRY

There are many risks when entering a new market or industry, all of which should be considered carefully. Hotel companies should evaluate these risks to see if the meetings industry is conducive to their business plan and then decide if they want to enter that market. Some of the main meetings industry risks are outlined below to inform for risk mitigation purposes.

7.1 Freestanding Dedicated Meeting Space

Freestanding dedicated meeting spaces, like convention centers, could be considered a risk to hotels looking to seriously enter and invest in the meetings industry. When people travel to convention centers, they are usually not local and therefore, need lodging as well, giving hotels an advantage [6]. Dedicated meeting spaces offers large customizable areas that can hold more than 5,000 people, which most hotels can't

handle [10]. However, when dedicated meeting spaces quote potential customers their rates, they usually don't include additional costs that are necessary for most meetings, such as air conditioning, carpeting, and electricity. Hotels can now directly compete with dedicated meeting spaces if they have the resources to purchase convention resorts, like the Gaylord properties. It is not clear however, that the large amount of capital invested in these convention resorts will pay dividends into the future based on the changing importance of technology in the meetings industry.

7.2 Cheaper Virtual or Hybrid Meeting Solutions

Corporate budgets were hit hard during the recession in 2009 and travel and meeting expenses became one of the first expenses to be reduced or cut out altogether. This led to the development of technology solutions that are free or almost free alternatives to face-to-face meetings. As discussed in Section 5, there are many innovative technologies, currently being developed, that can address the problem of reduced budgets. Corporations can still take advantage of valuable face time with lower budgets by having more effective meetings using this technology.

It seems like most corporations have started to recover from the recession. In 2011, a meetings corporate market survey stated that 24% of respondents expect bigger business meeting budgets while another survey said that 34% of their respondents had experienced an actual increase to their budget from 2010 [5]. This is good news for the meetings industry since corporations hold the vast majority of events.

Third party meeting planners have not embraced incorporating technology or having hybrid meetings yet either. The American Express report details the top obstacles that meeting planners face when adopting hybrid meeting solutions [8]. The largest obstacle in 2014, as identified by 25% of the respondents, was not being able to monitor participation or engage the audience. The next two largest obstacles, with 19% of respondents, were meeting hosts being more comfortable with traditional formats and the meeting planners not believing it to be a viable alternative to a live meeting [8]. Meeting hosts' comfort with non-traditional formats could evolve over time. Society has been increasingly integrating technology into everyday life, so, as young generations start to enter the workforce, they will possibly adopt some technology solutions to meetings. Therefore, keeping current on meeting statistics and data is important in determining the viability of future development of technology in meetings.

The inability to adapt to technological advances can cause a company to fall behind competition, and once that happens, it becomes harder to catch up. Hilton sums this up fairly well in their annual report: "Failure to keep pace with developments in technology could adversely affect our operations or competitive position. ... The development and maintenance of these technologies may require significant investment by us. As various systems and technologies become outdated or new technology is required, we may not be able to replace or introduce them as quickly as needed or in a cost-effective and timely manner." This statement clearly indicates that Hilton believes that technology is a viable part of the meetings industry, and that not keeping up with

these advances may be a higher risk than the high cost of investing in these technologies.

8 FUTURE OUTLOOK FOR INVOLVED HOTELS AND CONCLUSIONS

The meetings industry is a dynamic industry with fluctuations related to the economic conditions of the time. All signs point to its continuous growth in the future opening up more revenue opportunities for hotels giving it a positive outlook. The overall number of meetings is expected to increase, along with attendees, and group rates are also expected to drastically increase by 4.1% in 2014 [8]. Hotels should be wary about expanding their fixed assets related to the meetings industry, including functional space, since some other major hotel groups are showing caution. However, they also need to be careful not to lose the advantage of leading their competition.

For a supplier of the meetings industry, it is important to keep up with the current trends of the desired customer base. Thus, hotels should embrace technological trends and develop new platforms, like Marriott has, if they want to differentiate themselves in this industry. Customers have also started to request green initiatives in their meetings. About 10 to 20% of requests that are received by hotels include green requirements and queries, which is forecasted to grow [5].

In conclusion, the hotels that want to pursue a bigger role in the meetings industry should carefully research current and future customer trends before making large investments in developing new technologies or properties. Hotels should also consider their competition and how they want to differentiate themselves.

10 APPENDIX

Figure 1. GDP Contribution of Selected Industries in the U.S. Economy

This graph shows the GDP contributions of selected industries in 2009 and 2012. It makes it clear that the meetings industry is a large part of the U.S. economy and in fact, is larger than air transportation, information services, and motion picture industries [6].

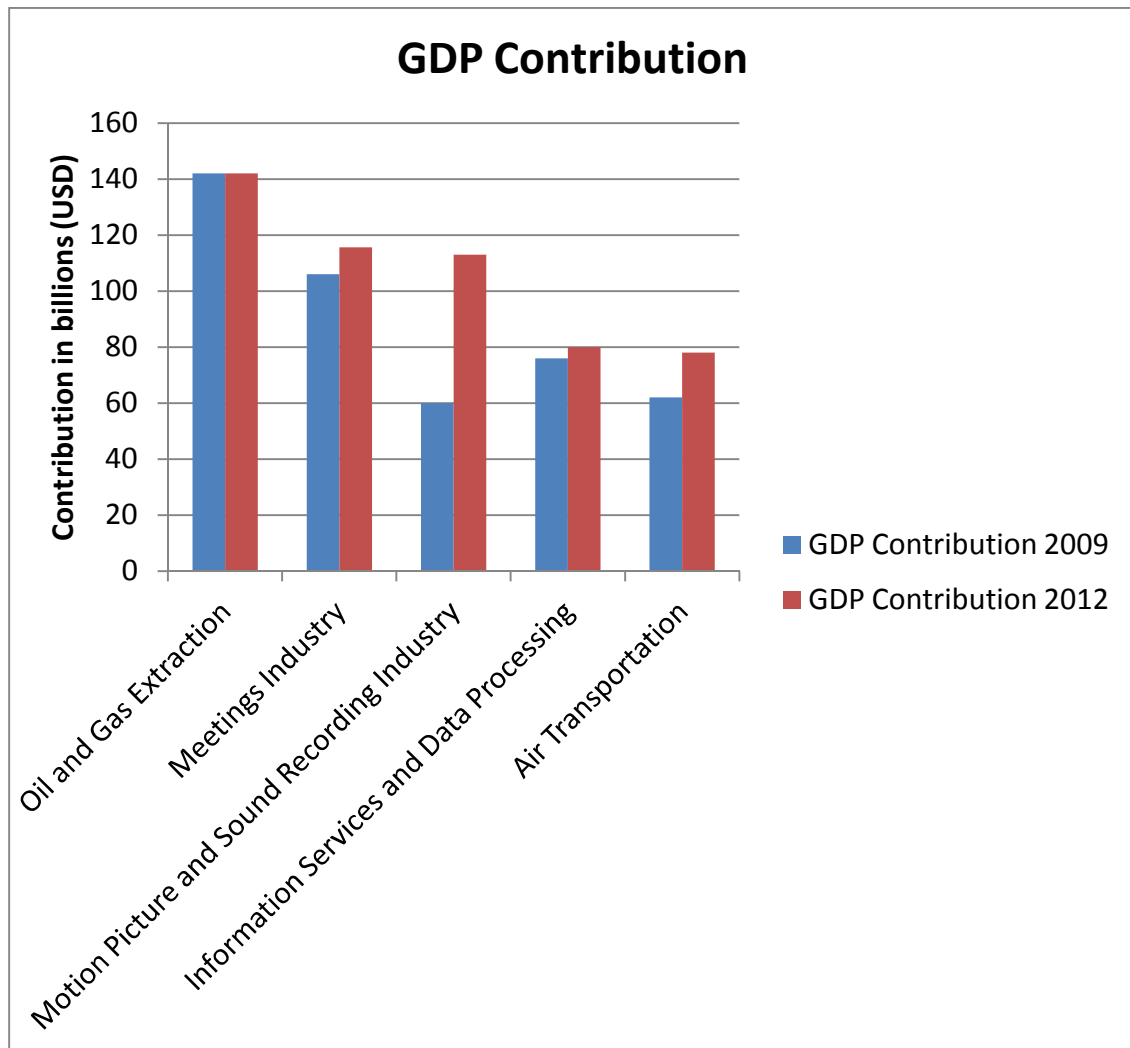


Figure 2. Contribution of Meeting Industry Subcategories

This graph shows a breakdown of the meetings industry and how each subcategory contributes to spending in the economy in 2012 [6].

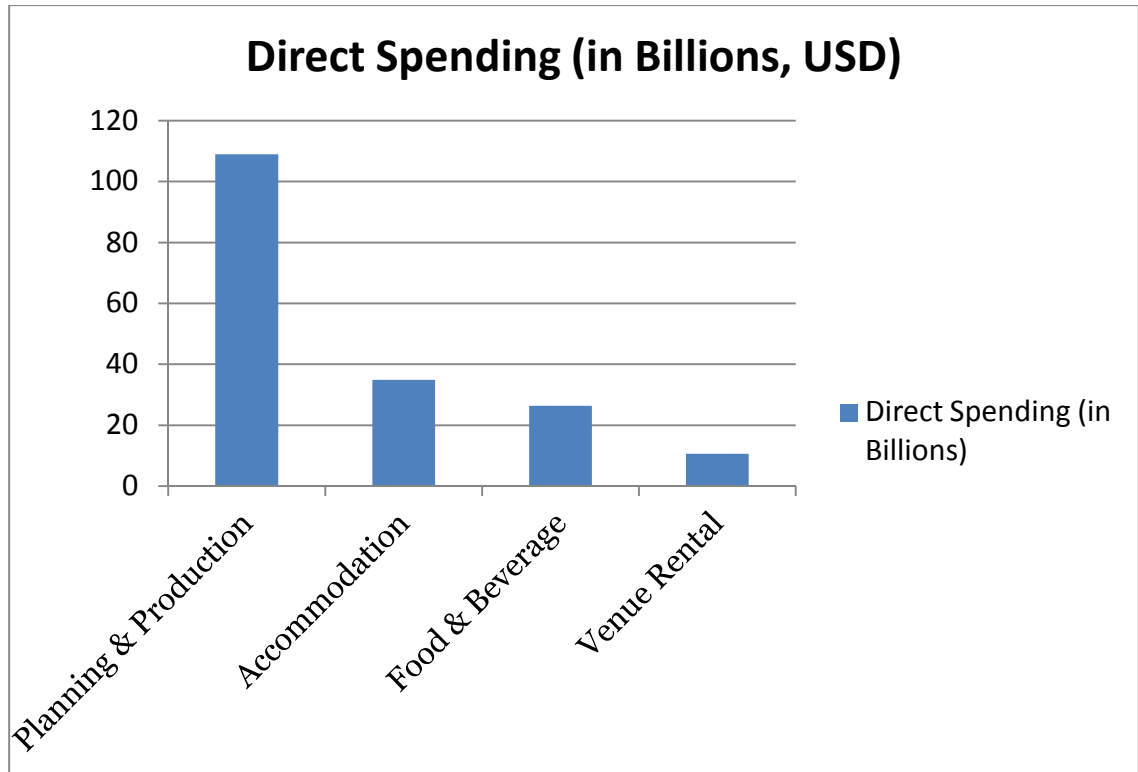


Figure 3. Overlap of Meetings Industry with Tourism and Travel

This chart shows where the economic outputs for the meetings industry and the travel and tourism industry overlap. While the travel and tourism industry is much larger than the meetings industry, it still gets 15% of its output as a direct result of meetings [6].

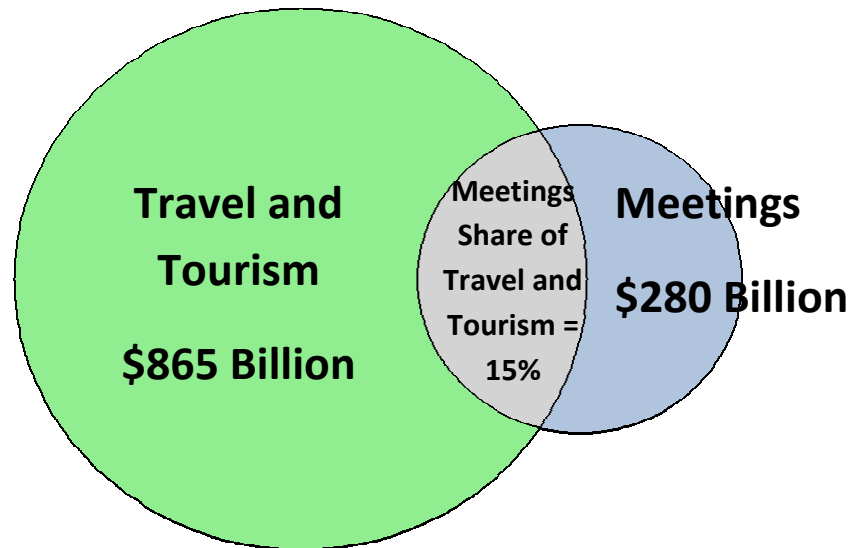


Figure 4. Growth of Meetings and Travel and Tourism Industries

This graph shows the percent change from 2009 to 2012 for the meetings industry, the travel and tourism industry, the meetings industries' share of travel and tourism (T&T), and the number of meeting participants [6].

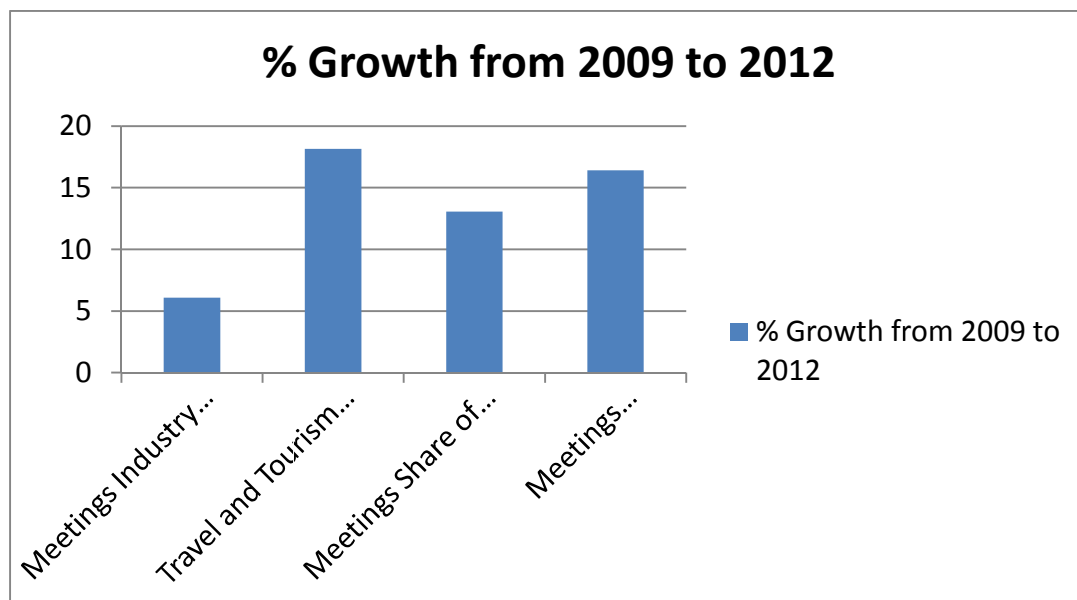


Figure 5. Customer Segments in Meetings

This is a chart showing the amount of total meetings held in the U.S. by customer segment in 2012 [6].

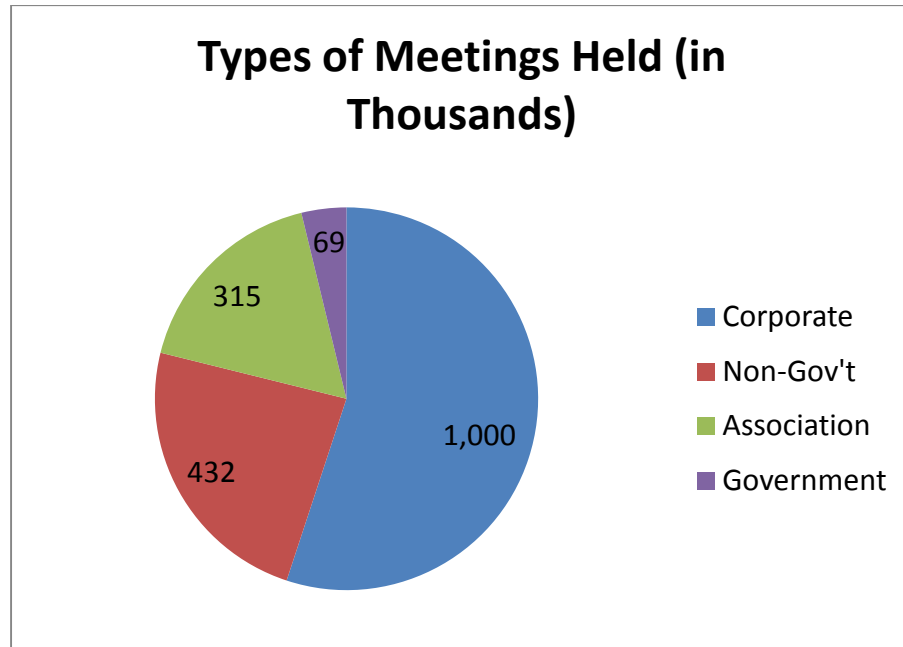


Figure 6. Wired Magazine Subscriber Survey

This graph shows the number of WIRED magazine subscribers that view the importance of being mobile from not at all important to very important [11].

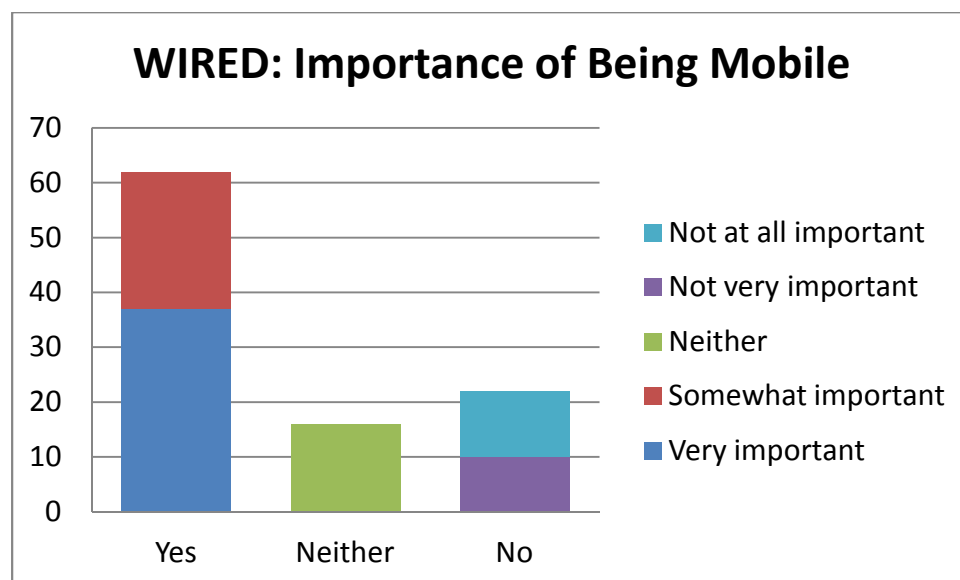


Figure 7. Wired Subscribers Working Remotely

This graph shows the percentage of WIRED subscribers for each frequency category of the amount of time they spend working remotely [11].

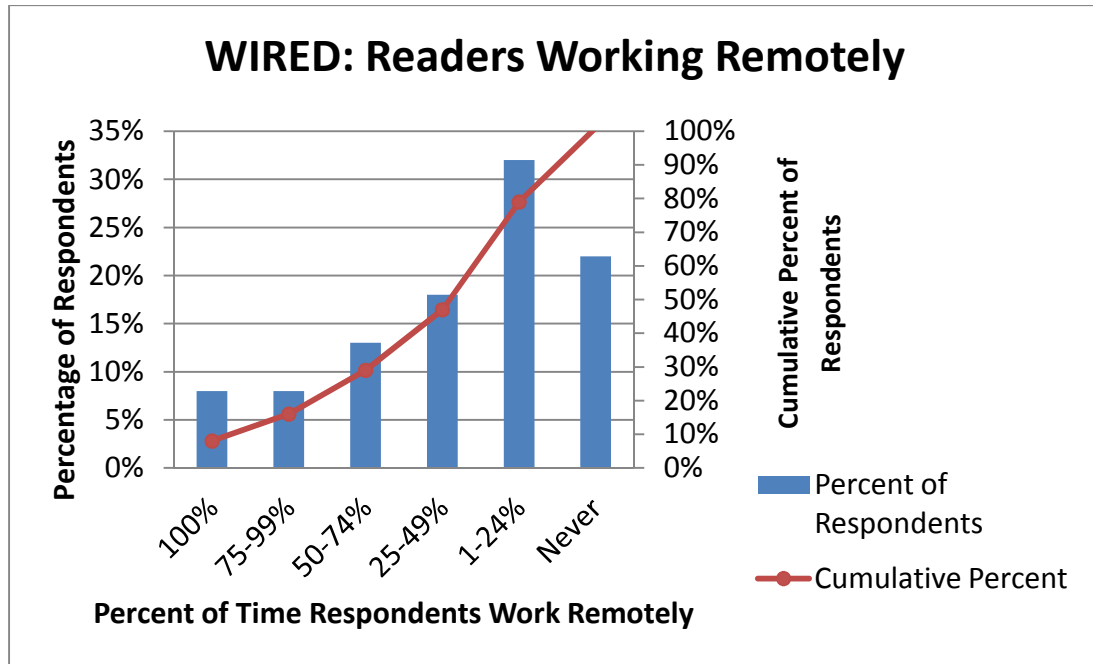


Figure 8. Wired Subscribers Remote Worksites

This graph shows the most frequented locations for remote worksites [11].

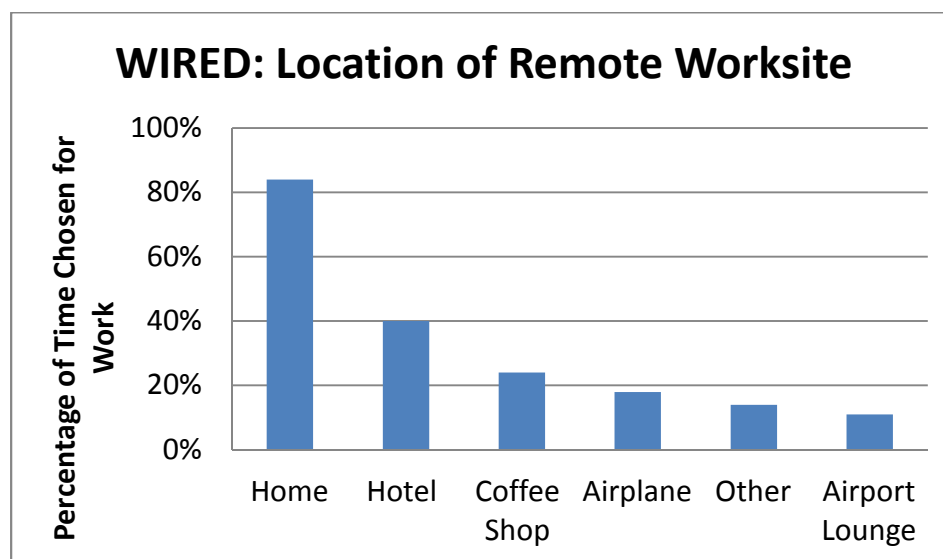


Figure 9. LiquidSpace App

This figure shows a screenshot of the LiquidSpace app and its functionality [13].

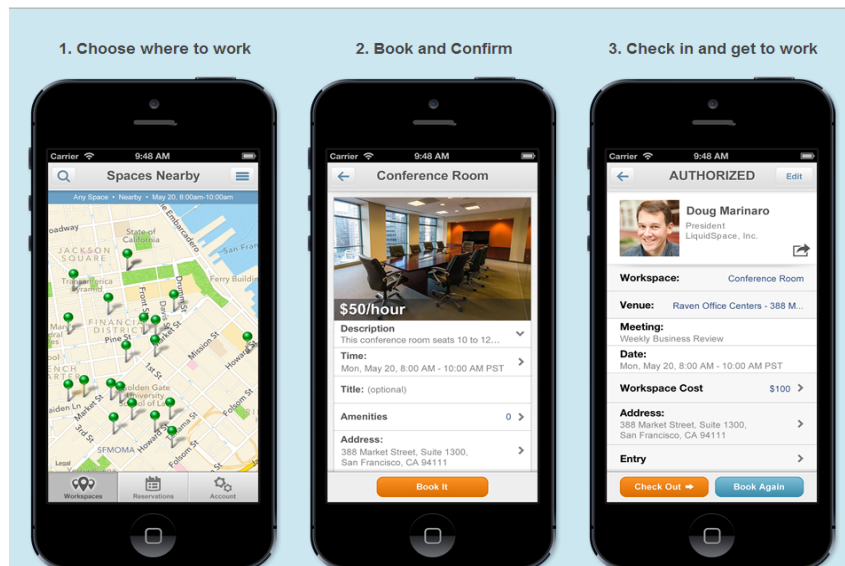


Figure 10. Workspring at Marriott

This figure shows a floor plan of Workspring at Marriott [20].

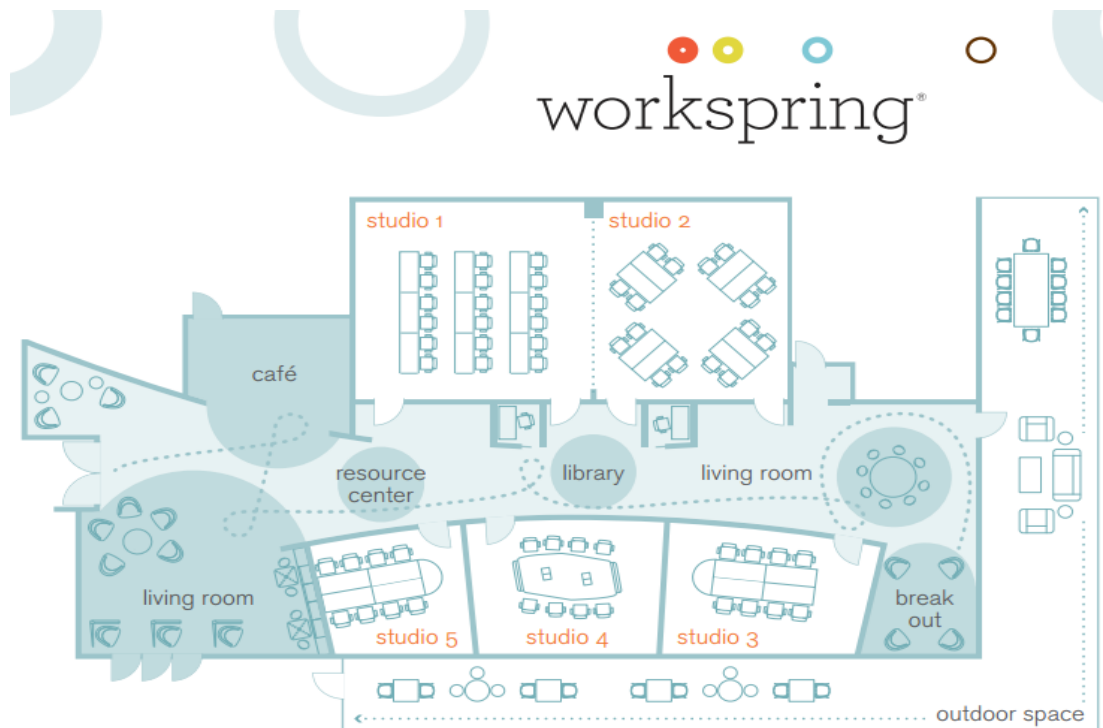


Figure 11. Marriott's Gaylord Brand Properties

This map shows Marriott's strategic positioning in the U.S. with their four Gaylord brand properties [21].

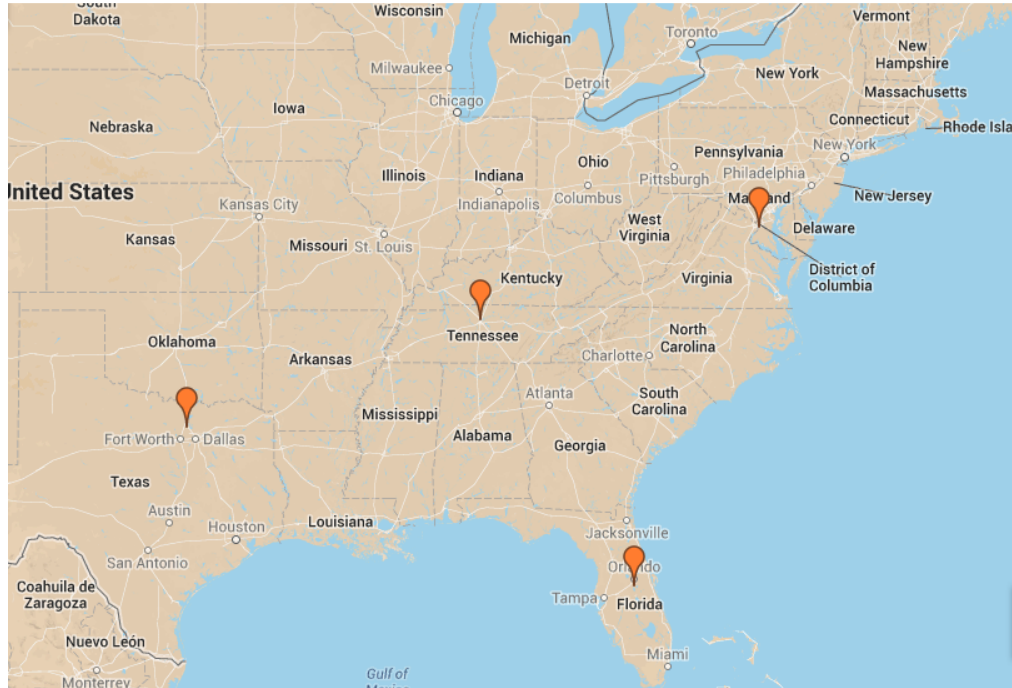


Table 1 WIRED Subscribers Essential Workspace Amenities

This table shows the most essential remote workspace amenities as viewed by meeting delegates and how many of the WIRED subscribers described it as essential [11].

WIRED: List of Most Essential Amenities in a Remote Workspace	
Amenity	Percentage that Described it as Essential
High-speed Internet Connection*	82
Charging Stations	46
Privacy*	42
Comfortable Furniture*	40
A Desk	39
Quiet*	38
Computers*	36
Networking Opportunities	22
Food and Beverage*	20
Printers and Scanners*	18
A Spacious Area	15
Office Supplies	15
Access to a Landline	10
Teleconferencing	9
A View	7
Background Music	4

*Assets that hotels already possess

Table 2. Gaylord Hotels

This table shows the four Gaylord Hotel locations and their meeting space capacities [21].

Gaylord Hotel	Location	Meeting Space	Number of Meeting Rooms	Highest Maximum Capacity in One Room
Gaylord National Resort and Convention Center	Washington D.C.	470,000 ft ²	89	10,000
Gaylord Opryland	Nashville	600,000 ft ²	152	7,050
Gaylord Palms	Orlando	400,000 ft ²	100	5,561
Gaylord Texan	Dallas	400,000 ft ²	88	10,000
Total		1,870,000 ft²	429	

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